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AT RICHMOND, JULY 8, 1998

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUE980138

Ex Parte: In the matter of
requiring reports and actions
related to independent system
operators, regional power
exchanges and retail access
pilot programs

ORDER PERMITTING RESPONSES TO MOTION

On June 4, 1998, the Virginia Committee for Fair Utility Rates and the Old Dominion Committee for Fair Utility Rates ("Committees") filed a motion in this matter proposing that the Commission adopt standards, principles and policies for the formation of Independent System Operators ("ISO") affecting the Commonwealth of Virginia. The Committees contend in their motion that disparate discussions, meetings and negotiations are occurring among the state's utilities regarding different concepts for the formation, operation and location of ISOs. The Committees argue that this situation is difficult for the Commission and other interested parties to follow, requiring the expenditure of "significant time and money to monitor the development of ISOs which may not ultimately be consummated by the utilities, approved by the FERC or acceptable to the Commission."

The Committees assert in their motion that if the Commission were to adopt such measures, they would "protect the public interest, assure the ongoing safety and reliability of the transmission system, and provide fair and nondiscriminatory access to all competing buyers and sellers of power." The Committees urge the Commission to conduct a proceeding leading to the adoption of standards, principles and policies addressing the following matters:

- a) provide guidance to the Commission Staff members participating in the various ISO developmental proceedings by setting forth principles which the Staff and other parties should seek to accomplish;
- b) provide guidance to transmission owners as to which ISO they should join and the acceptable structure, governance and pricing mechanisms of any ISO which will ultimately affect the interests of the Commonwealth;
- c) establish prerequisites for the Commission approval of the transfer of control of transmission assets by utilities to an ISO;
- d) establish conditions for merger approval based on ISO guidelines;
- e) help to avoid unnecessary litigation expenses and delay after the various ISO proposals are finalized and filed; and
- f) provide a meaningful forum for the discussion of Virginia-specified issues related to ISO development.

On June 19, 1998, the Potomac Edison Company, d.b.a. Allegheny Power ("Allegheny"), filed a response to the Committees' motion in which it contends that the matters covered by the motion are under the jurisdiction of the Federal Energy Regulatory Commission, and that this Commission and interested parties should address their ISO concerns at that agency.

NOW THE COMMISSION FINDS that the Committees' motion and Allegheny's response should be accepted for filing and that the Staff and parties to this matter should be allowed to respond to the motion and Allegheny's response. Without limiting such responses, the Commission directs such responses to address at least the following issues:

1. What is the Commission's authority with respect to Virginia utilities' involvement in ISOs, including, without limitation, the joining, forming, transferring control or ownership to or operating such ISOs? What limits, if any, exist with regard to such authority? Provide specific legal analysis on these questions.

2. Is it in the public interest that standards, principles and policies be adopted by the Commission regarding the above subject?

3. If so, what specific issues and subjects should be addressed by such standards, principles and policies?

4. Do the parties or Staff propose specific standards, principles or policies that should be adopted at this time? If so, state them.

The Committees and Allegheny may also respond to the above issues to the extent they have not done so in their initial pleadings.

All such responses shall be filed by Staff and parties to this proceeding no later than August 17, 1998.